



# NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

## What Consumers Need to Know About Verizon New Jersey's Plan for Local Telephone Service



In February, Verizon New Jersey ("VNJ") filed a "Plan of Alternative Regulation" with the New Jersey Board of Public Utilities ("Board") proposing to hold basic service rates at the current level of \$8.19. In response to complaints from consumer groups and the Division of the Ratepayer Advocate, VNJ had abandoned the proposal it made last year that would have increased service rates to as much as \$17.50 a month.

A careful study of VNJ's new proposal reveals a number of issues that you should know about.

**First**, while VNJ says it will keep the \$8.19 monthly rate for basic service, the company does not say how long it intends to keep the rate at that level. We believe consumers deserve to know how long they can expect to receive service at a given rate. We suggest that the Board cap VNJ's rate for basic local exchange service at \$8.19 for five years.

**Second**, there is virtually no competition for local telephone service in New Jersey. In order to spur competition, in conjunction with the rate cap described above, we suggest that the Board adopt an incremental incentive-based regulation plan for VNJ. That is, VNJ's rate for basic local exchange service would be fully deregulated when the company's share of that market falls below 60%. Other rate regulated services, such as call waiting, would be deregulated when VNJ's market share for those services falls below 70%.

**Third**, many New Jersey residents find that in-state toll calls make up the largest portion of their monthly VNJ bills. That's because New Jersey has some of the smallest local calling areas in the country. As a result, ratepayers are billed separately for many local calls. For instance, you may find that a call to your county library, or to a friend in a nearby town, is a toll call.

We believe New Jersey residents should have some relief from in-state toll call charges. The Division of the Ratepayer Advocate has proposed to the Board the expansion of local calling areas. By consolidating the state's 180 calling areas into 21 areas that correspond roughly to county boundaries, more calls will be treated as local calls instead of in-state toll calls. As a result, consumers will incur fewer toll call charges. We suggest using some of VNJ's overearnings and merger savings to finance this proposal.

**Fourth**, our analysis of VNJ's corporate portfolio has determined that the company has over \$225 million in overearnings as well as savings resulting from the mergers of VNJ's corporate parent with GTE and NYNEX. That money should be shared with ratepayers, not retained by the company.

**Fifth**, there are many New Jersey families who have trouble paying their utility bills each month. It is estimated that at least 15.5% of New Jersey households have annual incomes at or below 175% of the poverty line. Although VNJ proposes to increase its contribution to *(continued on next page)*

its state Lifeline program, which provides low-income households with subsidies for basic dialtone service, VNJ's proposed increase is not sufficient to ensure that low-income consumers receive the full extent of federal Lifeline telephone assistance. We suggest that VNJ increase its contribution to the state Lifeline program to ensure that low-income consumers can obtain the full extent of federal Lifeline telephone benefits.

In addition, we also recommend that VNJ implement an automatic enrollment program for low-income customers. Under this program, if a household is already enrolled in a public benefit program such as Medicaid or SSI, the household would be enrolled automatically in the Lifeline program. Eliminating unnecessary paperwork, an automatic enrollment program would increase the number of households participating in the program.

**Sixth**, New Jersey's schools and libraries need wideband or broadband Internet connections capable of carrying video as well as data. Only about 50% of New Jersey's schools have Internet connections capable of video, even though VNJ has deployed technology sufficient to physically enable wideband or broadband access by all schools in the state. The cost of service, however, is a barrier for many schools and libraries.

VNJ proposes to expand funding for equipment for schools and libraries through its Access New Jersey program. However, VNJ also proposes to stop entering into contracts for discounted services in 2004, with discounts ending in 2007.

We believe that VNJ should increase substantially the level of discounts for tariff rates at which it offers



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wideband and broadband access to schools and libraries so that we can achieve the goal of enabling a statewide distance learning capability grounded in an interactive video network that is broadly accessible by schools and libraries throughout New Jersey. Furthermore, the discount program should remain in place until the Board determines that there is no longer a need for discounted services.

**Seventh**, VNJ seeks to reclassify multiline business services (businesses with two or more lines) as competitive. That means VNJ would be free to set rates for those services without Board oversight. We believe VNJ has not shown that the multiline business services market is competitive, and therefore the Board should at this time reject VNJ's request.

**Eighth**, to promote competition, the Division of Ratepayer Advocate is recommending that Verizon's wholesale and retail operations be separated so that the company's wholesale operation interacts with the retail operation as if it were any other unaffiliated company seeking to provide local telephone service.

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The Board has scheduled extensive evidentiary hearings on VNJ's proposal starting on Monday, July 30, and continuing through August. The Board's public hearings are scheduled for Monday, August 13, at 10 am in Newark and 5 pm in Trenton. The Division of Ratepayer Advocate urges the public and local officials to attend to present their views. The Board is expected to issue a final decision by the end of the year. More information (including details on the hearings) on the Ratepayer Advocate's proposal to the Board is available on our website at [www.rpa.state.nj.us](http://www.rpa.state.nj.us).

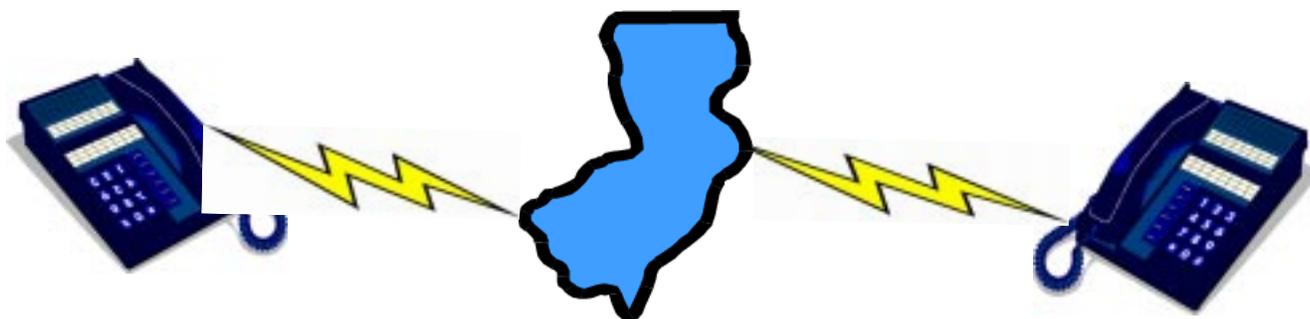
If you have any questions about Verizon's proposal or any other matter affecting natural gas, electric, water/wastewater or telecommunications, please call us at 973-648-2690 or contact us via e-mail at [njratepayer@rpa.state.nj.us](mailto:njratepayer@rpa.state.nj.us).

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Visit us on the web  
<http://www.rpa.state.nj.us>

**If you are concerned about the future of local telephone service in New Jersey,  
we encourage you to take the following actions**

- [Learn about the issues.](#) This newsletter is a summary of the extensive testimony that the Division of the Ratepayer Advocate filed with the Board of Public Utilities in response to VNJ’s proposal. Complete copies of the testimony, as well as executive summaries, are posted on the Division of the Ratepayer Advocate’s website at [www.rpa.state.nj.us](http://www.rpa.state.nj.us).
- [Contact state officials.](#) Legislators need to hear your views about VNJ’s plan. Call, write or e-mail your state senator and assembly member with your concerns. You can obtain contact information about your legislators from local government offices and libraries, and on the Internet at [www.njleg.state.nj.us](http://www.njleg.state.nj.us) (click “Members” and then “Find Your Legislator”). A copy of your letter should be sent to the Honorable Connie Hughes, Acting President, New Jersey Board of Public Utilities, Two Gateway Center, Newark, NJ, 07102.
- [Send a letter to the editor.](#) You can reach even more people by sending a letter to the editor of your local newspaper.
- [Attend public hearings.](#) The Board has scheduled public hearings for Monday, August 13, at its offices in Newark at Two Gateway Center at 10 am, and at its Trenton office at 44 South Clinton Avenue at 5 pm.
- [Contact us if you have questions.](#) As always, our staff is available to answer any questions you may have. Please call us at 973-648-2690 or send us an e-mail at [njratepayer@rpa.state.nj.us](mailto:njratepayer@rpa.state.nj.us).



The Division of the Ratepayer Advocate represents the interests of all electric, natural gas, water/wastewater and telecommunications consumers—residential, small business, commercial and industrial. The Ratepayer Advocate is a party in every proceeding in which New Jersey businesses and utilities seek changes in rates or services. The Ratepayer Advocate also participates on behalf of consumers in setting long-range energy, water and telecommunications policies that affects their delivery and costs of these services.

**A Comparison of Verizon New Jersey and Division of the Ratepayer Advocate Proposals Regarding Local Telep**

Question	Verizon New Jersey (VNJ) Proposal	Problems with VNJ Proposal	Division of the Ratepayer Advocate (RPA) Proposal
Is VNJ proposing to raise the \$8.19 rate for basic service?	No.	VNJ does not specify a timeline for maintaining the rate.	Adopt a five year cap service rate while providing incentives to promote
Is VNJ proposing relief from high toll call charges?	No.	New Jersey has small calling areas, so many calls -- even to a nearby town -- are toll calls.	Expand local calling area; toll calls are billed as in-state calls thereby saving consumers
15.5% of New Jersey families have annual incomes at or below 175% of the federal poverty line. How does VNJ propose to help low-income residents?	Additional funding for the state Lifeline program, which helps low-income consumers afford basic phone service.	VNJ's proposed funding is insufficient to ensure that low-income customers obtain the full extent of Lifeline benefits. Also, customers must enroll in the program, even if they have already qualified for other low-income programs, thereby creating a barrier to participation.	Enhance VNJ's state Lifeline funding to ensure that customers obtain the full federal Lifeline benefit. Create an automatic Lifeline enrollment program for those who already qualify for other income programs.
How does VNJ propose to help schools and libraries obtain Internet access sufficient to support the full benefits of the information superhighway?	Proposes \$20 million for equipment and service through 2007. Proposes to end discount program in 2004, with service contracts expiring no later than 2007.	Discounts are not sufficient to help schools and libraries obtain broadband and wideband services, which is necessary for distance learning.	Additional discounts for broadband and wideband service discount program until determines continued longer necessary.
Does VNJ make any proposals that would specifically affect small businesses (that is, companies with more than one line but fewer than 16 lines)?	Proposes to reclassify multiline business services (two or more lines) as competitive, thereby deregulating rates.	VNJ has not shown that the market for multiline business services is competitive; deregulating rates in the absence of competition could lead to higher rates.	As VNJ has not demonstrated competition in the market for multiline business services, request should be rejected.

**For more information visit the Division of the Ratepayer Advocate's website at [www.rpa.state.nj.us](http://www.rpa.state.nj.us) or call 973.**